

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6011**

**BILL NUMBER: SB 351**

**NOTE PREPARED: Jan 1, 2015**

**BILL AMENDED:**

**SUBJECT:** Adoption Subsidy Payments.

**FIRST AUTHOR:** Sen. Randolph

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
☒ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill has the following provisions:

- (1) Requires the Department of Child Services (DCS) to: (a) enter into an agreement, with each adoptive parent of a child with special needs who is eligible for an adoption subsidy, to provide an adoption subsidy for the child; and (b) allocate funds to the Adoption Assistance Account necessary to make the adoption subsidy payments.
- (2) Prohibits the DCS from terminating an adoption subsidy agreement with adoptive parents due to insufficient funds in the Adoption Assistance Account.
- (3) Makes conforming changes.
- (4) Repeals a provision that allows the DCS to: (a) approve new adoption subsidy agreements only for children who are wards of the state at the time the adoption petition is filed; and (b) give priority to funding new adoption subsidy agreements for children who are or were wards of the state; if the DCS determines that sufficient funds are not available.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *Summary:* The DCS reports that all children on the State Adoption Subsidy (SAS) waiting list as of July 1, 2014, and all children who become SAS eligible during FY 2015, will receive adoption subsidies during FY 2015 at a reported cost of approximately \$10 M. This amount is estimated to provide adoption subsidies to 1,086 SAS-eligible children under the age of 18 during FY 2015.

No information was provided regarding funding these adoption subsidies beyond FY 2015. This bill could increase state expenditures in FY 2016 and beyond to finance the SAS program. The following table

summarizes the estimated net impact on state expenditures between FY 2016 and FY 2019.

Year	Net State Expenditure
FY 2016	\$9.91 M
FY 2017	\$9.92 M
FY 2018	\$9.86 M
FY 2019	\$9.70 M

*Additional Information:* Currently, the DCS has two main adoption programs for foster children: the federal Title IV-E Special Needs Adoption Assistance Payment program (AAP) and the State Adoption Subsidy program (SAS).

*Federal Title IV-E Special Needs Adoption Assistance Payment Program:* Not all children in foster care qualify for the federal AAP program. The AAP program provides Medicaid services and subsidy payments for special needs children. Funds for this entitlement program are provided at the federal medical assistance percentages (FMAP). When a child is determined to be eligible for AAP participation, no redetermination is necessary and eligibility can continue until the age of 21 if the DCS determines it is in the child's best interest.

Medicaid and Title IV-E are jointly funded by the state and federal governments. The state share of program expenditures is approximately 33%. Medicaid medical services and IV-E subsidies are matched by the FMAP in Indiana at approximately 67% (66.75% for FFY 2015 and 66.13% for FFY 2016).

*State Adoption Subsidy Program:* The SAS program provides state-funded adoption subsidies to parents who adopt special needs children.

A child qualifies for the SAS program if they meet all of the following criteria:

- (1) The child is not eligible for assistance payments under the AAP program.
- (2) The child was a ward of the state at the time the adoption petition was filed.
- (3) The child is considered hard to place because either (a) the child is a member of a sibling group of two or more children being adopted at the same time by a single family and one child is at least two years of age or (b) the child is at least two years of age.
- (4) The child is considered special needs.

The SAS program had a waiting list of 1,500 children as of July 2014. These 1,500 children include children who are over the age of 18, but less than 21. The age at which an adopted foster child is no longer eligible for SAS payments is 18.

Federal AAP eligibility has historically been based on the income of the adopted child's biological parent(s) at the time of foster care placement. The federal Fostering Connections to Success and Increasing Adoptions Act of 2008 began a delinking of this income requirement for AAP eligibility starting in FFY 2010. For each year after FFY 2010, a new age cohort of adopted special needs children would become eligible for AAP subsidy payments. The following table shows the age cohort that would be delinked from the income requirement by federal fiscal year.

Federal Fiscal Year	Age of Adopted Child
FFY 2010	16 years old
FFY 2011	14 years old
FFY 2012	12 years old
FFY 2013	10 years old
FFY 2014	8 years old
FFY 2015	6 years old
FFY 2016	4 years old
FFY 2017	2 years old
FFY 2018	All ages eligible

For FFY 2014, the DCS reports that most adopted foster care children who were at least 8 years of age qualified for AAP subsidy payments. The DCS also reports that there are currently still SAS children over 8 years of age who were adopted prior to the age phase-in included in the Fostering Connections to Success and Increasing Adoptions Act of 2008. According to DCS, the delinking of income eligibility for AAP subsidy payments is not expected to impact current SAS children.

SAS program payments are negotiated based on the child's per diem foster care rate. The reported \$10 M expenditure for state adoption subsidies is assumed to be the average per diem foster care rate for SAS waiting-list children while they were wards of the state. The average per diem amount is calculated to be \$25.23 per child, which is within the CY 2014 foster care per diem rate range (\$19.89 to \$68.58).

**Explanation of State Revenues:** *Summary:* This bill could increase the number of completed adoptions in the state, which could result in additional revenue received from the Federal Adoption Incentive Funding Grant Program. Any increase in federal funds the state receives as a result of this bill is indeterminable, but expected to be small.

*Additional Information:* In a 2006 survey conducted by the Children's Rights group of pre-adoptive and adoptive parents, 81% of respondents indicated adoption assistance was important in their decision to adopt and 58% of respondents indicated they would not be able to adopt a foster child without some kind of subsidy payment (including children with special needs). Additionally, a 2005 report from the U.S. Department of Health and Human Services showed a statistical relationship between the percentage of children who receive an adoption subsidy and the rate of adoptions among children in foster care. If the state were to increase the total amount of subsidies available to adoptive parents, adoptions in the state could increase.

Federal Adoption Incentive Funding Grant Program funds are provided to states based on the number of adoptions a state completes in a year. Funds are awarded by formula on a competitive basis with no guarantee of receiving funding. States receive the grant funding in the federal fiscal year following the earning year. Since Earn FFY 1998, Pay FFY 1999, Indiana has received a total of \$15.1 M. During this time period, the state has received no grant funding in four different years, the most recent of which was Earn FFY 2003, Pay FFY 2004. The four most recent years of grant funding are provided in the table below.

<b>Federal Fiscal Year (FFY)</b>	<b>Federal Grant Revenue Received</b>
Earn FFY 2012, Pay FFY 2013	\$3.2 M
Earn FFY 2011, Pay FFY 2012	\$1.3 M
Earn FFY 2010, Pay FFY 2011	\$1.1 M
Earn FFY 2009, Pay FFY 2010	\$1.6 M

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DCS.

**Local Agencies Affected:**

**Information Sources:** Brady Brookes, DCS; Parvonay Stover, DCS; Ending the Foster Care Life Sentence: The Critical Need for Adoption Subsidies. July 2006. Children's Rights in collaboration with the National Foster Parent Association and the North American Council on Adoptable Children; North American Council on Adoptive Children (NACAC); *Children Identified as Special Needs for FFY 2011*, Department of Health and Human Services, Children's Bureau; *Indiana Adoption Program Desk Guide*, February 2012, Indiana Department of Child Services; DCS Foster Care Per Diem Rates for CY 2013, published November 30, 2012; *Adoption Incentive Awards History FFY 1998-2011*, Department of Health and Human Services, Children's Bureau; *Understanding Adoption Subsidies: An Analysis of AFCARS Data*. Dalberth, B., Gibbs, D. & Berkman, N. (2005). U.S. Department of Health and Human Services.

**Fiscal Analyst:** Bill Brumbach, 232-9559.